W1412

Why Avoid Cash Advances

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Fast cash advances, like payday loans or credit card cash advances, might seem helpful when money is tight. But they often come with very high fees and interest rates. This can trap people in debt.

Reasons to Avoid Them

High costs: Payday loans can have interest rates over 300 percent to 400 percent annual percentage rate (APR). Credit card cash advances start charging interest right away, plus extra fees.

Debt cycle: Short repayment deadlines can force people to borrow again, causing long-term debt.

Predatory lenders: Predatory lenders target people who are already struggling and charge very high rates.

Credit damage: Too many cash advances can lower your credit score and make you look risky to lenders.

Better Options

Local credit unions: Ask about payday alternative loans (PALs). These have lower interest rates and more time to repay.

Employee assistance: Some workplaces offer paycheck advances or connect workers with local community resources.

Community programs: Groups like United Way (call 211) can help with bills, such as rent or utilities.

Talk to creditors: Ask for an extension, a lower payment or waived fees.

Emergency savings: Even a small savings fund can help prevent the need to take on debt.

Other Helpful Ideas

Non-profit credit counseling: A counselor can help you build a budget and create a plan to pay off debt with lower interest rates.

Borrow from family or friends: This may be cheaper, but it's important to write down the amount and have a repayment plan to protect the relationship.

Side hustles (ways to earn extra money): Examples include freelancing, delivery apps, online tutoring and selling unwanted items.

Things to Think About

Each option has pros and cons. **For example:** Borrowing from family is cheap, but it can harm relationships. Debt counseling can lower payments, but it may affect your credit. Side jobs can help, but they take time and energy to build.

Resources

Consumer Financial Protection Bureau: https://www.consumerfinance.gov/

Take Charge America: https://www.takechargeamerica.org/

Financial Counseling Association of America: https://fcaa.org/

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